

Company Announcement No. 7/2024

Interim Financial Report 2024

For the period
1 January – 30 September 2024



Brødrene A & O Johansen A/S
Rørvang 3, DK-2620 Albertslund, Denmark
CVR no. 58 21 06 17

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Webcast

AO will host a webcast for investors and analysts on Thursday, 24 October 2024 at 1:00 p.m. CET. The webcast and the presentation can be accessed from AO's investor website:

<https://ao.dk/om-ao/investor-relations>

Webcast access numbers for investors and analysts:

DK: +45 78 76 84 90

SE: +46 31-311 50 03

UK: +44 20 3769 6819

US: +1 646 787 0157

PIN for all countries: 735822

Link to webcast:

<https://ao.eventcdn.net/events/interim-report-q3-2024>



Highlights for the third quarter and first nine months of 2024

- Second highest third quarter sales ever with a growth of 7.9% and organic growth of 1.8%.
- Higher EBITDA than last year though impacted by a DKK 14m gain from sale of property.
- Highest Q3 activity ever in AO. Customer visits in stores at index 108, distribution drops at index 124 and warehouse picking at index 108.
- As expected, overcapacity in the market has had a significant negative impact on the margins in the B2B segment.
- The high level of warehouse activity and overall logistics activities further dilute profitability driven by lower average basket sizes.
- The intensity of the profitability pressure is expected to be temporary, and the profitability level does not reflect the longer term expectations and ambitions.

- B2C had a strong quarter. Margins are fueled by higher margins from acquired companies. Third quarter revenue in the B2C segment was at the highest level for a Q3 ever.
- Integration of acquired businesses well under way and positive contributions are realised.
- Guidance unchanged.

“

The market activity has been in line with our expectations in 2024. I am satisfied to note that we have a high level of activity in our stores with many customer visits. However it is an observation point that the current revenue mix with lower average sales per customer visit dilutes profitability in the short term.”

Niels A. Johansen, CEO

Revenue (MDKK)



EBITDA (MDKK)



M&A overview

Summing-up the rationale behind AO's three acquisitions in Q2:

AO's capital guidelines set out targets for investments. According to the guidelines a new investment should deliver an EBITDA of at least 15% of the invested capital in year 3.



Company

Svenska VA-Grossisten
Established in 2022

Sales & investment

Sales of SEK 87m (DKK 57m)
Acquisition price of SEK 90m.

Rationale

- AO has a leading position within the water and drainage business in Southwestern Sweden. The acquisition of Svenska VA-Grossisten establishes AO in the Stockholm area.
- The ambition is to establish additional sites in the Stockholm area. It is expected to open two new sites during first half of 2025.



Company

Designkupp
Established in 2016

Sales & investment

Sales of NOK 125m (DKK 82m)
Acquisition price of NOK 75m

Rationale

- Designkupp runs VVSkupp.no, the largest Norwegian webshop within plumbing and bathroom articles.
- The company has its own location in Grålum, south of Oslo and it will significantly increase AO's presence in Norway.
- AO's webshops BilligVVS.no and Lampeguru.no will be handled from the new Grålum-warehouse after integration.



Company

Workwear Group
Established in 2009

Sales & investment

Sales of approx. DKK 265m
Acquisition price of approx DKK 215m

Rationale

- Workwear Group is a leading Scandinavian player within workwear. Operated out of a modern warehouse with significant unleveraged capacity.
- AO has approx. 28,000 professional customers to whom AO will be able to offer a significantly improved product range as well as improved capabilities through Workwear Group.

Expectations for the year

The development in Q3 was in line with expectations. Revenue development has returned to growth in both segments while earning margins in the B2B segment are under pressure driven by market factors.

Revenue

Organic revenue for 2024 is still expected to be in the range of DKK 5,150 - 5,300m. Guidance is unchanged compared to Q2.

Revenue impact from acquired companies is expected to amount to DKK 150 - 200m. Revenue, including M&A, is expected to amount to DKK 5,300 - 5,500m.

EBITDA and EBT

EBITDA and EBT for 2024 is expected to be unchanged compared to original and latest guidance excluding M&A.

Earnings expectations are positively impacted by increased revenue expectations. As expected, margin pressure has increased in Q3 and is expected to continue in Q4 of 2024. Furthermore, approximately DKK 20m in additional costs mainly related to integration costs, and investment in new competencies is included in the guidance. Consequently, EBITDA and EBT guidance remain unchanged at DKK 340 - 370m and DKK 200 - 230m, respectively.

Albertslund, 23 October 2024

Niels A. Johansen CEO
Per Toelstang CFO/Deputy CEO

Guidance unchanged from Q2

Latest guidance from Q2 report	Updated guidance
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Revenue (DKKm)

5,300 - 5,500	Unchanged
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EBITDA (DKKm)

340 - 370	Unchanged
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EBT (DKKm)

200 - 230	Unchanged
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Financial and operating data for the AO Group

(mDKK)	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023	Full Year 2023
Key figures					
Consolidated revenue	1,326.1	1,229.3	3,878.9	3,899.9	5,261.0
Gross margin	303.1	283.1	892.3	916.0	1,234.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	99.6	95.6	242.9	309.9	405.3
Profit or loss before financial income and expenses (EBIT)	69.2	72.1	155.5	226.4	292.2
Financial income and expenses, net	(11.0)	(8.8)	(25.4)	(22.5)	(30.4)
Profit or loss before tax (EBT)	58.2	63.3	130.1	203.9	261.8
Tax on profit or loss for the period	(12.1)	(13.9)	(28.2)	(44.2)	(55.7)
Net profit or loss for the period	46.0	49.4	101.9	159.7	206.1
Non-current assets	2,210.2	1,776.6	2,210.2	1,776.6	1,805.9
Current assets	1,590.3	1,490.4	1,590.3	1,490.4	1,436.5
Total assets	3,800.5	3,268.0	3,800.5	3,268.0	3,242.4
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	1,475.3	1,423.6	1,475.3	1,423.6	1,475.3
Non-current liabilities	933.1	527.7	933.1	527.7	535.2
Current liabilities	1,392.1	1,316.7	1,392.1	1,316.7	1,231.9
Cash flow from operating activities	(204.6)	209.1	(190.6)	49.9	346.4
Cash flow from investing activities	(232.0)	(24.2)	(405.1)	(93.0)	(130.2)
Of which investments in property, plant and equipment, net	(2.9)	(16.9)	(70.6)	(68.9)	(94.8)
Cash flow from financing activities	454.5	(184.8)	559.9	8.5	(161.7)
Cash flow for the period	17.9	0.0	(35.7)	(34.6)	54.5

	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023	Full Year 2023
Financial ratios*					
Gross profit margin	22.9%	23.0%	23.0%	23.5%	23.5%
EBITDA margin	7.5%	7.8%	6.3%	7.9%	7.7%
EBIT margin	5.2%	5.9%	4.0%	5.8%	5.6%
Return on capital employed**	2.3%	2.6%	4.4%	6.9%	8.9%
Return on equity**	3.6%	3.9%	6.9%	11.3%	14.3%
Net gearing	3.9	1.7	3.9	1.7	1.3
Solvency ratio	38.8%	43.6%	38.8%	43.6%	45.5%
Book value	52.7	50.8	52.7	50.8	52.7
Share price at the end of the period	88.6	73.6	88.6	73.6	70.3
Earnings per share (EPS Basic), DKK***	1.7	1.8	3.7	5.9	7.6
Diluted earnings per share (EPS-D), DKK***	1.7	1.8	3.7	5.9	7.6
Average number of employees	937	839	873	844	841
Average number of employees, incl. external temporary workers	993	900	937	912	912

* Other financial ratios have been calculated in accordance with CFA Society Denmark's 'Recommendations and Financial Ratios'.

** Not translated into full-year figures.

*** Basic EPS and diluted EPS have been calculated in accordance with IAS 33.

Management's review

Third quarter revenue and earnings were in line with expectations. Organic sales showed growth in the quarter with higher growth in the B2C segment. Acquired companies contributed with six percentage points to the third quarter growth.

Third quarter

Revenue

Organic revenue development adjusted for number of working days was +0.3%, and revenue was DKK 1,326m (DKK 1,229m). Q3 revenue includes three months of revenue from the acquired businesses Svenska VA-Grossisten and Designkupp and two months' revenue from the acquired business Workwear Group.

Total revenue growth in the quarter of 7.9% was satisfactory and in line with expectations.

Gross profit

Gross profit ended at DKK 303m (DKK 283m). The gross profit included DKK 14m in profit from sale of a property. Excluding the one-time profit from sale of real estate the gross profit corresponds to a gross profit margin of 21.8% (23.0%). B2B margins are under pressure from competition while lower average basket sizes increases the costs associated with servicing the revenue.

External costs and staff costs

In total, external operating costs and staff costs made up DKK 203m or 15.3% of revenue (DKK 188m/15.3%). Development is driven by the full year effect of salary and cost inflation. Adjusted for the effect of acquired companies the external costs and staff costs made up DKK 185m.

Revenue (MDKK)



Cost containment initiatives have been implemented but are countered by salary inflation as well as investments in future growth.

Number of FTEs grew as a result of M&A and was 937 in Q3 compared to 839 in Q3 2023.

EBITDA

EBITDA ended at DKK 100m (DKK 96m), corresponding to an EBITDA margin of 7.5% (7.8%). Adjusted for the one off gain from sale of real estate EBITDA and EBITDA margin was lower than last year. Price pressure as well as a high activity level with lower basket sizes put a strain on the EBITDA margin.

Net financials

Net financials amounted to DKK -11m (DKK -9m).

Earnings before tax (EBT)

EBT ended at DKK 58m (DKK 63m).

Income tax

Income tax amounted to DKK -12m (DKK -14m).

Earnings after tax (EAT)

EAT ended at DKK 46m (DKK 49m).

Nine months

Revenue

In line with expectations, YTD revenue declined 0.5% to DKK 3,879m (DKK 3,900m) in the first nine months of 2024. Revenue development was under pressure in Q1 with double digit decline but returned to positive growth by the end of Q2 which has continued in Q3.

Gross profit

Gross profit ended at DKK 892m (DKK 916m) corresponding to a gross profit margin of 23.0% (23.5%).

External expenses and staff costs

In total, external operating costs and staff costs made up 16.7% of revenue (15.5%). Cost of doing business is under pressure from cost inflation as well as increased administrative burdens increasing administrative FTEs.

FTEs for the first nine months of 2024 were 873 (844).

EBITDA

EBITDA ended at DKK 243m (DKK 310m) corresponding to an EBITDA margin of 6.3% (7.9%).



Financials

Net financials amounted to DKK -25m (-23m). Interest rates have been reduced while overall debt level has increased after M&A activities in 2024.

Earnings before tax (EBT)

EBT ended at DKK 130m (DKK 204m).

Income tax

Income tax amounted to DKK -28m (DKK -44m) corresponding to an effective tax rate of 21.7% (21.7%).

Earnings after tax (EAT)

EAT ended at DKK 102m (DKK 160m).

Equity

Equity end of September 2024 amounted to DKK 1,475m (DKK 1,424m). Thus, the solvency ratio at period-end was 38.8% (43.6%) . The decrease in solvency is driven by the M&A activities.

Cash flows

Net working capital at the end of the period was 14.0% (10.2%) of LTM revenue.

Cash flow from operating activities totalled DKK -191m (DKK 50m).

Change in receivables was DKK -115m (DKK -23m) mainly driven by activity level towards the end of the period.

Change in inventories contributed with DKK 4m (DKK 64m). Inventory level was reduced over 2023 and has been kept stable in 2024.

Change in payables contributed with DKK-261m (DKK -269m).

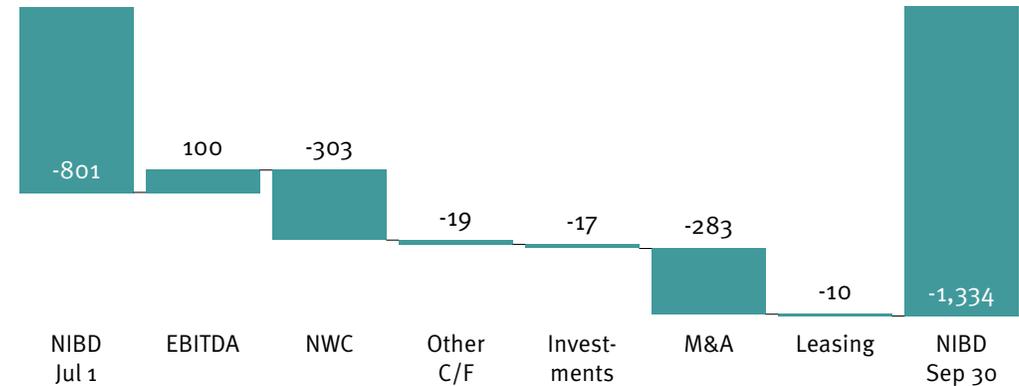
Cash flow from investing activities totalled DKK -405m (DKK -93m). DKK 306m of the investment derive from the finalised acquisitions of Svenska VA-Grossisten, Designkupp and Workwear Group.

Cash flow from financing activities was DKK 560m (DKK 9m) reflecting dividend payouts as well as increased level of interest bearing debt after acquisitions.

Net interest bearing debt amounted to DKK 1,334m (DKK 760m) at period end. Financial gearing was 3.9 times EBITDA (1.7 times).



Development in net debt



B2B Business Development

AO's B2B segment services the professional tradesmen as well as large construction companies out of 55 stores in Denmark and six stores in Sweden. In Denmark, AO is the wholesaler with the broadest product range serving more trades than our competitors. Roughly 70% of the revenue originates from repair and maintenance and 30% from projects. As a true omni-channel business almost half of the sales in B2B are digital sales. The B2B business saw increased market activity in the third quarter.

Revenue

Segment revenue was DKK 1,123m (DKK 1,084m) for the quarter. The development was in line with expectations and slightly better than the overall market. Revenue development is expected to continue to improve in the fourth quarter.

Gross profit

Gross profit of DKK 228m (DKK 249m) corresponds to a profit margin of 20.3% (22.9%). Margins are impacted by price pressure on projects especially as well as continued lower basket sizes driving higher logistic costs in comparison to revenue.

Direct expenses

Direct expenses were DKK 121m (DKK 112m). It remains a priority for AO to retain the team needed to cater for future growth while new hires driving future growth have also been made.

EBITDA

Segment EBITDA ended at DKK 107m (DKK 137m).

Distribution of B2B sales channels LTM



MDKK	Q3 2024	Q3 2023
Revenue	1,123.2	1,088.4
Cost of goods sold	(848,8)	(801,7)
Product margin	274.4	286.7
Distribution	(46,3)	(37,7)
Gross profit	228.1	249.0
Direct expenses	(121,1)	(112,0)
EBITDA before indirect expenses	107.0	137.0
Key figures		
Gross margin %	20.3%	22.9%
EBITDA %	9.5%	12.6%

B2C Business Development

AO is the market leader within online home improvement DIY sales in Denmark. Sales are done out of 11 webshops operating on a shared back-end platform as well as from 11 additional webshops acquired in 2024. The B2C segment has returned to a growth trend which has continued throughout 2024. Increased scale of the B2C business will increase earning margins. Fueled by M&A impact the third quarter revenue was at a record level for Q3.

Revenue

Segment revenue was DKK 203m (DKK 141m) for the period. The acquired businesses contributed DKK 58m in revenue.

Gross profit

Gross profit of DKK 61m (DKK 34m) corresponds to a gross profit margin of 29.9% (24.3%). The profit margin in the B2C segment was 9.6%-p higher than for the B2B business (1.4%-p). The acquired businesses bring a higher gross profit margin.

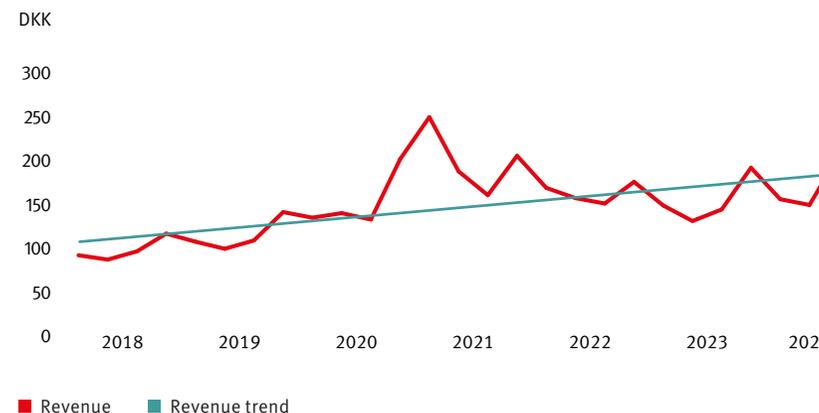
Direct expenses

The expense level has been under pressure for cost and salary inflation and ended at DKK 44m (DKK 31). M&A impact on the direct expenses was DKK 15m. Cost containment efforts have on an organic level kept costs stable in spite of inflation levels.

EBITDA

Segment EBITDA ended at DKK 17m (DKK 3m). DKK 5m of EBITDA came from acquired businesses. Segment EBITDA margin should reach at least 10% over time which is to be achieved through growing the top line.

B2C revenue per quarter*



* Growth is measured comparing the quarter to the same quarter last year.

MDKK	Q3 2024	Q3 2023
Revenue	202.8	140.9
Cost of goods sold	(127.2)	(93.9)
Product margin	75.6	47.0
Distribution	(15.0)	(12.8)
Gross profit	60.6	34.2
Direct expenses	(43.9)	(31.3)
EBITDA before indirect expenses	16.7	2.9
Key figures		
Gross margin %	29.9%	24.3%
EBITDA %	8.2%	2.1%

Additional information

Investor contacts

CEO Niels A. Johansen
CFO, Deputy CEO Per Toelstang
Head of IR Nicolaj Harmundal Petersen
IR@AO.dk

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Financial calendar

23 October 2024 **Interim Financial Report for the Period 1 January - 30 September 2024**

Company announcements in 2024

2024-02-21 No. 1 **Annual Report 2023**

2024-02-21 No. 2 **Notice of Annual General Meeting 2024**

2024-03-20 No. 3 **Annual General Meeting 2024**

2024-04-24 No. 4 **Interim Financial Report for Q1 2024**

2024-06-24 No. 5 **Brødrene A & O Johansen A/S Acquires Workwear Group ApS
(Billig-arbejdstøj.dk)**

2024-08-14 No. 6 **Interim Financial Report for H1 2024**

Forward-looking statements

This interim report contains statements relating to the future, including statements regarding AO's future operating results, financial position, cash flows, business strategy and future targets. Such statements are based on Management's reasonable expectations and forecasts at the time of release of this report. Forward-looking statements are subject to risks and uncertainties and a number of other factors, many of which are beyond AO's control. This may have the effect that actual results may differ significantly from the expectations expressed in the report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive conditions, supplier issues and financial and regulatory issues and IT failures.

Management's statement

Today the Board of Directors and the Executive Board have discussed and approved the interim financial report of Brødrene A & O Johansen A/S for the period 1 January – 30 September 2024.

The interim financial report, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 September 2024 and of the results of the Group's operations and cash flows for the period 1 January – 30 September 2024.

Further, in our opinion the Management's review includes a fair review of the development in the Group's operations and financial matters, the net profit or loss for the period and of the Group's financial position as a whole as well as a description of the most significant risks and elements of uncertainty facing the Group.

Albertslund, 23 October 2024

Executive Board

Niels A. Johansen
CEO

Per Toelstang
CFO/Deputy CEO

Stefan Funch Jensen
CTO

Lili Johansen
CHRO

Board of Directors

Henning Dyremose
Chair

Erik Holm
Deputy Chair

René Alberg

Ann Fogelgren

Peter Gath

Leif Hummel

Marlene L. Jakobsen

Niels A. Johansen

Income statement and statement of comprehensive income

DKK thousands	Note	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023	Full Year 2023
Revenue	3	1,326,103	1,229,289	3,878,865	3,899,612	5,261,016
Cost of sales		(976,370)	(896,315)	(2,835,363)	(2,832,045)	(3,817,312)
Distribution costs		(61,265)	(50,476)	(167,242)	(153,153)	(211,468)
Gross profit		288,468	282,498	876,260	914,414	1,232,236
Other operating income		14,618	627	16,031	1,612	2,029
Gross margin		303,086	283,125	892,291	916,026	1,234,265
External expenses		(81,278)	(73,009)	(238,884)	(220,524)	(310,666)
Staff costs		(122,204)	(114,493)	(410,493)	(385,594)	(518,315)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		99,604	95,623	242,914	309,908	405,284
Depreciation and amortisation		(30,392)	(23,492)	(87,437)	(83,471)	(113,079)
Operating profit or loss (EBIT)		69,212	72,131	155,477	226,437	292,205
Financial income		1,146	767	6,953	2,611	3,338
Financial expenses		(12,167)	(9,594)	(32,341)	(25,157)	(33,739)
Profit or loss before tax (EBT)		58,191	63,304	130,089	203,891	261,804
Tax on profit or loss for the period		(12,146)	(13,898)	(28,191)	(44,192)	(55,708)
Net profit or loss for the period		46,045	49,406	101,898	159,699	206,096

DKK thousands	Note	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023	Full Year 2023
Other comprehensive income						
Items reclassified to the income statement						
Foreign currency translation adjustment relating to foreign entities		852	(3,060)	(2,615)	(3,407)	987
Tax on other comprehensive income						
Other comprehensive income after tax		852	(3,060)	(2,615)	(3,407)	987
Total comprehensive income		46,897	46,346	99,283	156,292	207,083
Earnings per share						
Earnings per share (EPS)		1.7	1.8	3.7	5.9	7.6
Diluted earnings per share (EPS-D)		1.7	1.8	3.7	5.9	7.6

Balance sheet

Assets

DKK thousands	Note	2024. 09.30	2023. 09.30	2023. 12.31
Non-current assets				
Intangible assets				
Goodwill	4	751,415	508,539	508,539
Intellectual property rights		61,371	45,489	44,611
Software		96,875	75,446	82,913
Property, plant and equipment				
Land and buildings		908,777	820,415	832,268
Leasehold improvements		15,945	17,010	15,530
Fixtures and operating equipment		265,852	221,887	221,966
Right-of-use assets		109,756	88,552	99,838
Other non-current assets				
Other investments		247	247	247
Total non-current assets		2,210,238	1,777,585	1,805,912
Current assets				
Inventories	5	812,135	793,111	757,411
Trade receivables	6	679,922	657,546	542,788
Joint tax contribution		2,648	-	-
Other receivables		16,013	14,203	20,573
Prepayments and accrued income		25,772	25,209	26,174
Cash and short-term deposits		53,785	332	89,504
Total current assets		1,590,275	1,490,401	1,436,450
Total assets		3,800,513	3,267,986	3,242,362

Equity and liabilities

DKK thousands	Note	2024. 09.30	2023. 09.30	2023. 12.31
Equity				
Share capital		28,000	28,000	28,000
Reserve for foreign currency translation adjustments		(10,272)	(12,051)	(7,657)
Retained earnings		1,457,580	1,407,681	1,349,956
Proposed dividend for the financial year		-	-	105,000
Total equity		1,475,308	1,423,630	1,475,299
Non-current liabilities				
Deferred tax		73,007	63,751	70,098
Credit institutions		714,550	403,926	398,705
Lease liabilities		114,504	59,984	66,352
Other non-current liabilities		11,009	-	-
Total non-current liabilities		913,070	527,661	535,155
Current liabilities				
Credit institutions		526,165	264,516	109,343
Lease liabilities		30,807	31,474	36,844
Trade payables		759,912	902,688	1,006,632
Corporation tax		14,586	2,588	8,357
Joint taxation contribution payable		-	17,748	3,062
Other payables		80,165	96,955	67,170
Provisions for liabilities		500	726	500
Total current liabilities		1,412,135	1,316,695	1,231,908
Total liabilities		2,325,205	1,844,356	1,767,063
Total equity and liabilities		3,800,513	3,267,986	3,242,362

Cash flow statement

DKK thousands	Note	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023	Full Year 2023
Operating profit or loss for the period		69,212	71,869	155,477	226,437	292,205
Depreciation and amortisation		30,392	23,492	87,437	83,471	113,079
Other non-cash operating items, net		879	2,538	2,636	2,515	3,393
Cash flow from operations before change in working capital		100,483	97,899	245,550	312,423	408,677
Change in inventories		5,572	63,539	3,901	63,988	99,688
Change in receivables		(26,167)	19,764	(115,429)	(22,806)	84,617
Change in trade and other payables		(271,436)	38,992	(261,110)	(268,845)	(191,014)
Total change in working capital		(292,031)	122,295	(372,638)	(227,663)	(6,709)
Cash flow from operations		(191,548)	220,194	(127,088)	84,760	401,968
Net financials paid		(11,020)	(8,827)	(25,388)	(22,546)	(30,401)
Corporation tax paid		(2,076)	(2,297)	(38,114)	(12,343)	(25,151)
Cash flow from operating activities		(204,644)	209,070	(190,590)	49,871	346,416

DKK thousands	Note	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023	Full Year 2023
Purchase of intangible assets		(14,148)	(7,371)	(28,295)	(22,702)	(33,934)
Purchase of property, plant and equipment, net		(2,884)	(16,852)	(70,553)	(68,861)	(94,819)
Purchase of investments		-	-	-	37	37
Acquisition of enterprises		(214,975)	-	(306,226)	(1,500)	(1,500)
Cash flow from investing activities		(232,007)	(24,223)	(405,074)	(93,026)	(130,216)
Change in payables to credit institutions		464,327	(175,752)	691,981	176,742	16,348
Repayment of lease liabilities		(9,802)	(9,069)	(30,126)	(25,553)	(35,342)
Dividends paid		-	-	(101,910)	(142,675)	(142,675)
Cash flow from financing activities		454,525	(184,821)	559,945	8,514	(161,669)
Cash flow for the period		17,874	26	(35,719)	(34,641)	54,531
Cash and short-term deposits at beginning of period		35,911	306	89,504	34,973	34,973
Cash and short-terms deposits at end of period		53,785	332	53,785	332	89,504

Statement of changes in equity

DKK thousands	Share capital	Foreign currency translation adjustment	Proposed dividend for the financial year	Retained earnings	Total equity
Equity at 1 January 2024	28,000	(7,657)	105,000	1,349,956	1,475,299
Net profit for the period	-	-	-	101,898	101,898
Foreign currency translation adjustment	-	(2,615)	-	-	(2,615)
Total comprehensive income	-	(2,615)	-	101,898	99,283
Dividend distribution	-	-	(101,910)	-	(101,910)
Dividend, treasury shares	-	-	(3,090)	3,090	-
Share-based remuneration	-	-	-	2,636	2,636
Total transactions with owners	-	-	(105,000)	5,726	(99,274)
Equity at 30 September 2024	28,000	(10,272)	-	1,457,580	1,475,308
Equity at 1 January 2023	28,000	(8,644)	147,000	1,241,142	1,407,498
Net profit or loss for the period	-	-	-	159,699	159,699
Foreign currency translation adjustment	-	(3,407)	-	-	(3,407)
Total comprehensive income	-	-	-	159,699	156,292
Dividend distribution	-	-	(142,675)	-	(142,675)
Dividend, treasury shares	-	-	(4,325)	4,325	-
Share-based remuneration	-	-	-	2,515	2,515
Total transactions with owners	-	-	(147,000)	6,840	(140,160)
Equity at 30 September 2023	28,000	(12,051)	-	1,407,681	1,423,630

DKK thousands	Share capital	Foreign currency translation adjustment	Proposed dividend for the financial year	Retained earnings	Total equity
Equity at 1 January 2023	28,000	(8,644)	147,000	1,241,142	1,407,498
Net profit or loss for the period	-	-	105,000	101,096	206,096
Foreign currency translation adjustment	-	987	-	-	987
Total comprehensive income	-	987	105,000	101,096	207,083
Dividend distribution	-	-	(142,675)	-	(142,675)
Dividend, treasury shares	-	-	(4,325)	4,325	-
Share-based remuneration	-	-	-	3,393	3,393
Total transactions with owners	-	-	(147,000)	7,718	(139,282)
Equity at 31 December 2023	28,000	(7,657)	105,000	1,349,956	1,475,299

Notes

1.0 Accounting policies

The interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The accounting policies are unchanged from the accounting policies applied in the consolidated and parent company financial statements for 2023, to which reference is made. The consolidated and parent company financial statements for 2023 contain a full description of the accounting policies.

2.0 Accounting estimates and judgements

Estimation uncertainty

In preparing these interim financial statements, management has made accounting estimates and assumptions which affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The most significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements and parent company financial statements for 2023. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and parent company financial statements for 2023.

3.0 Segment information

The Group operates primarily in Denmark, and less than 10% of its revenue relates to foreign countries. This was also the case in the first nine months of 2023.

The Group has not traded with any individual customer representing more than 10% of the Group's total revenue. This was also the case in the first nine months of 2023.

The Group has activities within the B2B segment and the B2C segment. The two segments share the same chief operating decision maker but are identified as separate operating segments in the internal management reporting.

Notes

Segment information Q3 2024

DKK thousands	B2B	B2C	Total
Revenue	1,123.2	202.8	1,326.0
Cost of goods sold	(848.8)	(127.2)	(976.0)
Product margin	274.4	75.6	350.0
Distribution	(46.3)	(15.0)	(61.3)
Gross margin	228.1	60.6	288.7
Direct expenses	(121.1)	(43.9)	(165.0)
EBITDA before indirect expenses	107.0	16.7	123.7
Sale of property			14.2
Indirect expenses			(38.3)
EBITDA			99.6
Key figures			
Gross margin %	20.3%	29.9%	21.8%
EBITDA (before indirect expenses) %	9.5%	8.2%	9.3%
EBITDA %			7.5%

Segment information Q3 2023

DKK thousands	B2B	B2C	Total
Revenue	1,088.4	140.9	1,229.3
Cost of goods sold	(801.7)	(93.9)	(895.6)
Product margin	286.7	47.0	333.7
Distribution	(37.7)	(12.8)	(50.5)
Gross margin	249.0	34.2	283.2
Direct expenses	(112.0)	(31.3)	(143.3)
EBITDA before indirect expenses	137.0	2.9	139.9
Indirect expenses			(44.3)
EBITDA			95.6
Key figures			
Gross margin %	22.9%	24.3%	23.0%
EBITDA (before indirect expenses) %	12.6%	2.1%	11.4%
EBITDA %			7.8%

Notes

Segment information Q1-Q3 2024

DKK thousands	B2B	B2C	Total
Revenue	3,377.1	501.7	3,878.8
Cost of goods sold	(2,511.6)	(322.0)	(2,833.6)
Product margin	865.5	179.7	1,045.2
Distribution	(130.1)	(37.2)	(167.3)
Gross margin	735.4	142.5	877.9
Direct expenses	(376.5)	(107.0)	(483.5)
EBITDA before indirect expenses	358.9	35.5	394.4
Sale of property			14.2
Indirect expenses			(165.7)
EBITDA			242.9
Key figures			
Gross margin %	21.8%	28.4%	22.6%
EBITDA (before indirect expenses) %	10.6%	7.1%	10.2%
EBITDA %			6.3%

Segment information Q1-Q3 2023

DKK thousands	B2B	B2C	Total
Revenue	3,485.6	414.0	3,899.6
Cost of goods sold	(2,562.5)	(267.9)	(2,830.4)
Product margin	923.1	146.1	1,069.2
Distribution	(119.2)	(34.0)	(153.2)
Gross margin	803.9	112.1	916.0
Direct expenses	(363.5)	(92.9)	(456.4)
EBITDA before indirect expenses	440.4	19.2	459.6
Indirect expenses			(149.7)
EBITDA			309.9
Key figures			
Gross margin %	23.1%	27.1%	23.5%
EBITDA (before indirect expenses) %	12.6%	4.6%	11.8%
EBITDA %			7.9%

Notes

4.0 Goodwill and intangible assets

The annual impairment test of intangible assets, including goodwill and intellectual property rights, is performed at 31 December 2024, after the completion of budgets and strategy plans for the coming period.

At 30 September 2024, management is of the opinion that there has been no indication of impairment of the carrying amount of goodwill and intellectual property rights, and therefore no impairment test of goodwill and intellectual property rights has been performed at 30 September 2024. For a more detailed description, reference is made to the consolidated and parent company financial statements for 2023.

5.0 Inventories

No unusual inventory write-downs or reversals of inventory write-downs have been recorded in the period.

6.0 Trade receivables

An estimate is used to assess the recoverability of receivables according to the same principles as applied in the financial statements for 2023.

7.0 Acquisition of enterprises

On May 1 2024 the Group gained control of the Swedish company Svenska VA-Grossisten AB by acquiring all the shares in the company.

With the acquisition AO expands its operation to the capital area of Sweden and will be a foundation for geographic expansion of AO Sweden. Svenska VA-Grossisten is a specialist wholesaler within water and drainage products based in the Stockholm area of Sweden.

In Svenska VA-Grossistens first financial year that ended December 31 2023 a revenue of 57 MDKK and an EBITDA of 9 MDKK was achieved. On a stand alone basis the company expects growth in 2024.

Svenska VA-Grossisten will be a part of AO Sweden and of the B2B segment in AO.

The fair value of acquired assets, liabilities and contingent liabilities, and aquisition price for Svenska VA-Grossisten has been calculated and can be specified as follows:

DKK thousands	2024
Property, plant and equipment	2,934
Inventories	4,203
Trade receivables	8,282
Other receivables	2,105
Cash	6,664
Interest bearing debt including lease liabilities	-1,937
Trade payables	-8,860
Other payables	-4,547
Acquired net assets	8,844
Goodwill	53,483
Rights	-
Deferred tax liabilities	-
Price of acquisition	62,327
Cash paid on acquisition	52,727
Cash acquired	-6,664
Net cash effect 2024 from acquisition	46,063
Earn out liability recognised in balance	9,600

Notes

7.0 Acquisition of enterprises (continued)

On June 30 2024 the Group gained control of the Norwegian company Designkupp AS by acquiring all the shares in the company.

With the acquisition AO gains a leading position in the Norwegian online market for bathroom and home improvement products. Designkupp operates VVSKupp.no, the leading online store for bathroom products in Norway.

In the financial year that ended December 31 2023 Designkupp had a revenue of 82 MDKK and an EBITDA of 3 MDKK.

Designkupp will together with AO's existing webshops in Norway form the Norwegian part of AO's B2C segment.

The fair value of acquired assets, liabilities and contingent liabilities, and acquisition price for Designkupp has been calculated and can be specified as follows:

DKK thousands	2024
Property, plant and equipment	408
Inventories	4,368
Trade receivables	823
Other receivables	149
Cash	4,027
Trade payables	-6,409
Provisions	
Other payables	-1,733
Acquired net assets	1,633
Goodwill	46,395
Price of acquisition	48,027
Cash paid on acquisition	48,027
Cash acquired	-4,027
Net cash effect 2024 from acquisition	44,000

On August 13 2024 the Group gained control of the Danish company Workwear Group ApS by acquiring all the shares in the company.

With the acquisition AO gains control of a leading player within online sales of workwear in Scandinavia. Workwear Group operates 10 webshops selling Workwear to B2C customers as well as to companies. Workwear Group operates out of a modern automated warehouse in Jutland which will be a part of the Group's future logistics set up.

In the financial year that ended December 31 2023 Workwear Group had a revenue of 240 MDKK and an EBITDA of 22 MDKK.

Workwear Group will significantly expand the Group's offering within workwear to B2B and B2C customers.

The fair value of acquired assets, liabilities and contingent liabilities, and acquisition price for Workwear Group has been calculated and can be specified as follows:

DKK thousands	2024
Property, plant and equipment	103,374
Inventories	50,054
Trade receivables	5,384
Other receivables	-
Cash	-
Deferred tax	-2,717
Debt	-65,701
Trade payables	-8,027
Provisions	-
Other payables	-10,389
Acquired net assets	71,977
Goodwill	142,998
Price of acquisition	
Cash paid on acquisition	214,975
Cash acquired	-
Net cash effect 2024 from acquisition	-214,975

The background features a large, stylized logo consisting of a dark grey 'A' on the left and a dark grey 'O' on the right. The 'A' is composed of thick, solid strokes, while the 'O' is a thick, dark grey ring. The overall aesthetic is minimalist and modern.

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